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RR RUEHLH RUEHPW
DE RUEHKP #0169 1330617
ZNR UUUUU ZZH
R 130617Z MAY 09
FM AMCONSUL KARACHI
TO RUEHC/SECSTATE WASHDC 1085
INFO RUEHIL/AMEMBASSY ISLAMABAD 0546
RUEHLO/AMEMBASSY LONDON 0331
RUEHBUL/AMEMBASSY KABUL 0289
RUEHNE/AMEMBASSY NEW DELHI 1879
RUEHPW/AMCONSUL PESHAWAR 4621
RUEHLH/AMCONSUL LAHORE 2738
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEAIIA/CIA WASHDC
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL
RUEKJCS/SECDEF WASHINGTON DC
RHEHAAA/NSC WASHINGTON DC
RHMFSS/Joint STAFF WASHINGTON DC

UNCLAS KARACHI 000169

SENSITIVE
SIPDIS

E.O. 12958: N/A
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SUBJECT: KARACHI - STOCK EXCHANGE SHOWS LITTLE CHANGE

¶1. (SBU) Summary: The Karachi Stock Exchange (KSE) - 100 Index ended the week of May 8 at 7,129.51, essentially flat over the previous week's close of 7,198.68. Overall market capitalization decreased slightly to \$26.41 billion from \$26.66 billion, with net foreign portfolio investment outflow of \$8.8 million. Fears regarding security concerns in the country and possible clashes between the political groups in Karachi on May 12 appeared to drive the market activity. End Summary

¶2. (U) The KSE-100 index ended May 8 at 7,129.51 - less than one percent below its April 30 close. (Note: May 1 was a Pakistani holiday, and the KSE was closed. End note.) Overall market capitalization dropped from \$26.66 billion to \$26.41 billion. The net foreign portfolio investment outflow was \$8.8 million. Volume of shares traded was 455 million. The banking, energy, fertilizer, and cement sectors continue to be among the top performers. (Note: The KSE-100 Index comprises the top company from each of the 34 sectors on the KSE, in terms of market capitalization. An additional 66 companies are selected for the index based on market capitalization ranking. End note.)

¶3. (SBU) Uncertainty regarding the law and order situation, especially the army operation in Swat and other parts of northern Pakistan and the anticipation of violence in Karachi on May 12, left investors cautious. Interlocutors, such Arif Habib, chairman of Arif Habib Investments, told post that concerns regarding the security situation kept investors nervous and reluctant to invest. Habib, however, believes increased U.S. foreign assistance and positive macroeconomic indicators will generate buying interest. He predicted the market will rebound once the law and order situation is stabilized.

¶4. (SBU) Comment: Security concerns will remain the major driver of the KSE in the short term. There may be minor swings as investors attempt to capitalize on undervalued stocks, but the security situation will be a determining market force for some time. End comment.

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